

CIA Accused of Black-Market Currency Deals

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By Lewis H. Diuguid
and Don Oberdorfer

Washington Post Staff Writers

The Central Intelligence Agency used black-market transactions to finance its activities in Vietnam and Chile even while other U.S. agencies worked to stamp out corruption and shore up those economies, according to former officials familiar with CIA funding.

The Vietnam transactions involved millions of dollars traded for piasters on the

black market in Hong Kong, according to these sources.

One former CIA official said that at some points during the war nearly all the foreign currency spent by the Saigon station of the CIA was acquired through such transactions.

Charles A. Cooper, who served as an economic adviser to the U.S. embassy in Saigon in 1968-9 and minister counselor for economics there in 1970-3, said in response to questions that

CIA officials told him they preferred to obtain funds through "the black bag" from Hong Kong due to "operational reasons" and because such transactions made their budget go further.

Cooper said he did not know what proportion of Saigon CIA expenditures were financed through black-market transactions.

The scale of CIA spending in Saigon during his time was "too small for an over-

all economic effect" in view of much larger outlays through legal markets by the U.S. military and foreign aid agencies, he said.

During the intensive phase of U.S. military operations in the 1960s the official exchange rate applying to U.S. government transactions was 118 piasters to the dollar. Black-market rates were often two or three times higher.

Vietnam devalued the piaster for most purposes to

275 to the dollar in October, 1970, under heavy U.S. pressure, and successive adjustments in later years brought legal rates to over 600 piasters per dollar.

While pushing for more realistic rates, U.S. policy opposed black-market transactions.

Testimony by a U.S. embassy official before a Senate subcommittee in November, 1969, said those dealing

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Black-Market Money Dealing In Saigon, Chile Laid to CIA

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in the black market "give aid and comfort to the enemy" and make the "Vietnamese economy more unstable and subvert efforts to establish economic stability in Vietnam."

A former CIA official who asked not to be quoted by name said he believed the agency's resort to the black market in the early 1970s was due at least in part to a heavy budgetary drain caused by the effort to secretly raise a sunken Russian submarine in the Pacific.

The CIA effort to raise

the Soviet sub with a specially constructed research ship, the Hughes Glomar Explorer, began early in 1970 and its cost has been estimated as high as \$500 million.

CIA purchases of Chilean currency on the black market were at a time when the U.S. embassy there was purchasing about \$30,000 monthly in Chilean escudos outside the country in Argentina.

During this period the United States was seeking to shore up the Chilean economy in support of President Eduardo Frei.

After the election of Salvador Allende as president

of Chile in November 1970 black-market rates, which previously maintained a 25 per cent premium above the legal market, soared as high as 2 to 1.

U.S. policy turned sharply against the new regime. The CIA is said to have increased its black-market transactions during the Allende period to include operational funds.

U.S. regulations forbid any American official abroad from dealing in black-market currency.

A CIA spokesman said yesterday that the agency had no comment on the reports of black-market transactions.